

Memorandum

To: Mayor Nicholas Valentine
Deputy Mayor Regina Angelo
Councilwoman Marge Bell
Councilwoman Christine Bello
Councilman Curlie Dillard
Mayor-Elect Judy Kennedy
City Council Member-Elect Gay Lee
City Council Member-Elect Cedric Brown

From: Acting City Manager Richard F. Herbek

Date: November 18, 2011

Re: Status Report 2009-Present

I have served as Acting City Manager since Sept. 1, 2009. Upon my arrival, it became evident that the City had many critical issues that needed to be addressed immediately, and the most serious of these, the City's financial status, still remains. This report shall provide a synopsis of those issues as well as progress to date.

Financial Issues:

When I started, the Fiscal Year 2007 Audit Report from the independent auditors Nugent & Haeussler had resulted in a disclaimer of opinion; there were unreconciled fixed asset records, no completed State-mandated annual update for FY 2008, and problems with Community Development funds accounting. And, with the FY 2010 Budget due to be filed with City Council on Oct. 13, 2009 we faced a shortfall of more than \$5,000,000 in General Fund revenues, as well as the discovery that a previously-projected \$2.1 million fund balance was non-existent.

Pressing financial obligations included:

- Consolidated Iron –
A total of \$1,600,000 in court-mandated settlements to the Environmental Protection Agency (EPA) was due, the first by September, 2009 and the second by Jan. 4, 2010. We successfully paid EPA the required payments on time.
- Courthouse Construction Cost Overruns –
Original projections of \$12,000,000 turned out to be \$22,000,000. We are in the process of closing out all remaining items concerning the Courthouse construction project.
- Payroll- When I arrived, I was told that the City would not be able to make payroll, which represented approximately \$450,000 weekly. I made arrangements to ensure that employees would be paid at the next pay period, and then instituted a bi-weekly payroll reflective of actual days worked, not projected days as was done in the past.

Action Taken:

I took immediate steps to meet our obligations and correct these critical conditions by doing the following:

- Issuing bond anticipation notes, tax anticipation notes and securing advanced state aid. We also brought in a new auditing firm, O'Connor Davies Munns & Dobbins, to provide the audit reports for 2008, 2009 and 2010. It was not until we received these reports that we had an accurate handle on the status of City finances and the projected deficit.
- During 2010 we successfully petitioned the State Legislature to enact the Newburgh Fiscal Recovery Act and borrowed \$12 million to keep City operations functioning and to allow for a zero starting point for 2011.
- We hired Dwight Hadley, CPA, an expert in municipal finance, as a consultant on a part-time basis to ensure compliance with State Comptroller requirements and to help keep the City's return to fiscal stability on course.
- For the last several months, we have had auditors from the New York State Comptroller's Office on-site carefully scrutinizing our fiscal history and monitoring current revenues and expenditures.
- The City Comptroller implemented a purchase order system to manage expenditures more precisely and has diversified job duties to help meet Internal Controls. A spending freeze has been in effect for the last several months.
- The structurally-balanced budget for 2011 required a tax levy increase of 41%. The 2012 proposed budget is in line with the New York State-mandated 2% tax levy cap.

Personnel:

Since 2009 I have been faced with many vacancies in key positions, including the Fire Chief, who retired the day I arrived, the Police Chief, Comptroller, Corporation Counsel, Director of Planning & Development, Tax Collector, Assessor, and Water Department Superintendent. I also had to make the decision to terminate the Director of Human Services. I successfully filled all vacant Department Head positions and reinstituted the Department of Human Services as the Youth Bureau, with funding provided by the 21st Century Program. Code Compliance was returned to the jurisdiction of the Fire Chief.

We successfully negotiated a new five-year firefighters' contract with IAFF Local #589 which included salary rollbacks, step freezes, a lower pay scale for new firefighters, health care contributions for new employees during their entire career with the City, changes in the vacation schedule to reduce overtime costs, resulting in substantial savings to the City.

We have had a number of negotiating sessions with the CSEA and PBA which are ongoing. I still hope to be able to work out cost reductions, givebacks and concessions with these unions but

to date have not been successful. In fact the PBA has filed petitions with the Public Employment Relations Board for binding arbitration.

As we have not yet been successful in negotiating new agreements with the remaining unions we were forced to prepare a budget for 2012 with further personnel cutbacks. The 2012 budget originally called for the layoff of 15 police officers; however, thanks to successful negotiation with the PSOA, we were able to reduce the number to 8.

Although the 2012 Budget will not result in such wide-spread layoffs as last year's, it is important to note that since 2009 the City's work force has been reduced from **320 to 205**. In addition to the proposed layoff of police officers, this year we expect to cut one code enforcement employee, make parking enforcement officers part-time, and cut one position from the Comptroller's office.

Accomplishments:

We have been focused on reinventing and downsizing City government. This has included introducing new systems for real property tax collections, payroll services, parking ticket collections, code and land use records etc.

We moved all sanitation costs from the General Fund to a new enterprise fund which is entirely fee based.

We increased fees for use of City services for events, and use of City parks, buildings and athletic fields to more closely reflect those of neighboring communities.

We entered into an agreement with the Newburgh Armory Unity Center to provide recreational and educational services at the Armory.

We are in the process of closing down 123 Grand Street to save the City more than \$120,000 in utility and other operational costs. The City Engineer's Office and the Records Management Office have been moved to the first floor of City Hall. The GIS Office will be incorporated into the City Engineer's Office, and Data Processing and Information Technology departments have been combined, completing the centralization of many related functions.

Other Departmental Highlights:

Police:

2009 and 2010 saw an upswing in violent crime. Through various strategies, the Police Department has been able to reduce aggravated assaults in 2011 by 24% (through October). This was a focused goal despite the loss of 18 police personnel since 2009. The Department also supported functions through alternative funding, updating the police vehicle fleet with grant money. Ten vehicles have been purchased since the beginning of 2010 with grant money. The City's police department helped orchestrate several multi-agency law enforcement strikes which resulted in the arrest of more than 100 members of the Bloods, Latin Kings, and other gangs with charges including murder, racketeering, assault and narcotics trafficking. Recently US Attorney

for the Southern District of New York, Preet Bharara was present for the press conference held in the Council Chambers announcing the latest arrests.

Fire:

Since 2010, the Fire Department conducted nearly a full scale exercise of the City's Emergency Management Plan during the summer of 2010. They trained approximately 1/3 of the City's firefighters in high-angle rescue to be incorporated into the Countywide Technical Rescue Team; handled 3 large scale weather disasters with severely reduced staffing without major loss to the city: (Blizzard of February 2010; Hurricane Irene and Tropical Storm Lee and the most recent October snowstorm).

The department is developing metrics for all Fire Department Bureaus – Code, Fire Prevention and Fire Suppression. Of prime importance, Fire Chief Mike Vatter is chairing the Newburgh Community Land Bank.

DPW:

Although DPW has lost nearly 40 employees since 2009 due to layoffs and retirements, they continue to constantly strive to provide high-quality service to the people of the City of Newburgh, especially during weather-related emergencies when they work around the clock, sometimes for days at a time. Even with a shortage of staff, they maintain all City streets, City-owned properties and parks, and have worked steadfastly to clean up abandoned privately owned properties. Since 2009, more than \$10,000 in charges for cleanup of private properties has been submitted to the Tax Collector for billing.

Planning & Development:

Some of the accomplishments of the department include assisting with the early work of the Land Bank, managing the Environmental Restoration Program for 5 brownfield sites, with the goal of returning the properties to the tax rolls, preparing a report for the council leading to the acquisition of the Armory, completion of the Future Land Use Plan, and adoption of the Section 3 CDBG Plan.

Engineering:

The Engineering Department developed a Capital Project Plan including financing mechanisms; managed the Robinson Avenue Project to finish on time and on budget, assisted with Sewer Fund stabilization through proper capital project accounting and assisted with the sewer plant Capital Improvement Plan, and with negotiations re: on-going litigation related to Silver Stream Reservoir. Along with the Legal Department, Planning & Development and the Comptroller's Office, Engineering has also closed out old grants with funding agencies for projects completed some time ago which allows the City to accept current grants for projects such as Tyrone Crabb Park and Newburgh Landing.

Recreation/Youth Bureau:

Although we still operate the Delano Hitch Pool and the Day Camp during summer periods all other remaining City cultural, educational and recreational programs are provided through the

21st Century Grant program. With only two full-time City staff members, the 21st Century program serves 300 young people and their families, and in January received national recognition through the NYS Department of Education 21st Century Newsletter. The department also revised and updated their fee schedule for use of City parks and facilities and implemented new contracts with Community Based Organizations.

Water:

The water department continues to meet or exceed compliance with all state and federal drinking water laws and regulations so that it remains exemplary. They remain vigilant in meeting the challenges of source water protection, water conservation, and community education.

In September of 2011, the Water Department completed the water main replacement project on Gedney Way. With the assistance of the Orange County Water Authority, the City is currently in the process of working out an inter-municipal water agreement with neighboring towns to the mutual benefit of all.

Civil Service

The Civil Service Office recently relocated to the City Executive Office, and the Civil Service Administrator has increased performance of personnel-related functions, including developing personnel policies which will be incorporated into a handbook for all employees. Additional confidential assistance is provided to the City Manager for assignments related to personnel.

Also, in 2010 a record number of applicants took the exam for Spanish and English-speaking Police Officers.

It is the Acting City Manager's intent to have the Civil Service Administrator assume more of the Human Resources function for City government.

Records Management:

Records Management has moved more than 9,000 square feet of inactive municipal records including 5,300 cartons and active and inactive Code Compliance and Engineering plans & maps stored in multiple locations to a central location in the Newburgh Armory Unity Center basement. The comprehensive Records Database has also been updated.

Assessor:

Established equitable and transparent assessments, all properties assessed at full market value with an easy to understand system with all relevant information readily available. This is accomplished by performing an annual reassessment of all properties. The New York State Department of Taxation and Finance-Office of Real Property Tax Services has recognized the City of Newburgh with the "Excellence in Equity" award for its efforts to provide owners with fair and equitable assessment. The Assessor's office also processed 4,103 exemptions for the 2011 tax roll in accordance with New York State Real Property law. The Assessor participated on the Land Bank and Distressed Property Committees, worked to clarify and monitor PILOT agreements, and assisted with the mid-Broadway RFQ.

Going Forward:

As we move into 2012, we have identified the following goals and objectives:

- Assist with the work involved with distressed property remediation and the Land Bank
- Identify and implement more revenue-generating and cost-saving measures
- Continue to work to improve the City's bond rating
- Continue to actively manage capital projects including condition assessment of City-owned bridges and dams
- Move toward full implementation of existing parking ordinance; improve, increase, and upgrade parking meters and enforcement; increase revenue from meters and use of City lots
- Implement and update a number of personnel-related policies
- Continue to explore consolidation of City services and best use of space
- Continue to negotiate union contracts to reach equitable and reasonable terms
- Fully implement land use plan for all City-owned properties including those in the Land Bank and advance development opportunities on mid-Broadway
- Continue ERP for cleanup of current brownfield projects; complete the nomination phase of the Brownfield Opportunity Area (BOA) to identify candidate brownfields sites
- Begin much-needed revision of existing zoning ordinance
- Promote neighborhood stabilization projects including demolition of structurally unsound vacant City buildings and new construction in conjunction with community partners such as Habitat
- Continue to work with contractors and businesses to promote a local hiring and training initiative for City residents
- Implement a sustainable capital projects plan that will provide for maintenance and upgrade of City equipment and infrastructure, including City water tanks, roads and bridges
- Work toward providing through General Code's Laserfiche software a shared electronic structure of project folders & street address folders for all departments that will centralize information for departmental access and eliminate the shuffling around & duplication of hardcopy documents and folders
- Code Compliance plans to complete the transfer to a cloud/I-pad based inspection system to improve productivity with depleted personnel
- All departments will continue to explore grant funding opportunities
- We will continue to partner with not-for-profits, other municipalities and governmental entities to combat crime and quality of life issues and enhance service delivery to our residents

Summary:

Despite manpower shortages, every department has been tasked with continuing to provide quality service to our residents. I am very proud to say that not only have individual departments shown themselves capable of carrying out their operations with fewer staff, but there is an unprecedented spirit of inter-departmental cooperation and teamwork to meet our many challenges

This spirit has become evident in the wake of recent weather-related disasters. Under the direction of Fire Chief and NIMS Coordinator Mike Vatter, City departments including DPW, Police, Engineering, Comptroller, Corporation Counsel, Water, Sewer, and the Executive Office

pulled together to handle the effects of everything from unprecedented flood damage to roads and infrastructure from Hurricane Irene and Tropical Storm Lee, to last year's record snowfall, and wide-spread power outages due to this year's Halloween snow storm.

Despite limited resources, City employees worked together to find solutions, restore essential services, and disseminate information. They continue to do this on a daily basis.

I hope this information is helpful to you. Should you have any questions, please do not hesitate to contact me.